City of Sacramento

Legislation Text

File #: 2019-00184, **Version:** 1

Title:
Interpretation of Rate and Method of Apportionment of Special Tax for McKinley Village Community Facilities District No. 2015-04 (Improvements)

File ID: 2019-00184

Location: District 3

Recommendation:
Adopt a Resolution: 1) finding that the Rate and Method of Apportionment of Special Taxes for McKinley Village Community Facilities District (the “RMA”) is vague on how the City should classify and tax parcels that are within two tax zones and that RMA § G.3 authorizes the City Council, by resolution, to interpret the RMA so as to clarify this vagueness; 2) interpreting RMA § G.3 so that a parcel within two tax zones is classified and taxed by applying to the entire parcel the tax rate of the zone that includes more than half of the parcel; and 3) finding that this interpretation is reasonable because it is fair and equitable to all property owners.

Contact: Brian Wong, Debt Manager, (916) 808-5811; Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

Presenter: None

Attachments:
1-Description/Analysis
2-Resolution

Description/Analysis

Issue Detail: Encore McKinley Village, LLC (the “**Developer**”) proposes to file a new subdivision map that creates 32 new parcels (by dividing 16 existing parcels) and alters the mix of housing it is currently developing within the McKinley Village Community Facilities District (the “**CFD**”). As part of that proposal, the Developer would like to partially prepay the special taxes on the 32 new parcels so as to align the special tax on those parcels with the taxes on other, similar housing within the CFD.

The RMA approved when the CFD was formed (adopted by Resolution No. 2015-0242) identifies five tax zones that are based on the RMA's original boundary map. Of the 32 new parcels, 16 will fall within-or straddle-two different tax zones. Unfortunately, the RMA does not clearly explain how the City should calculate the special tax for zone-straddling parcels.

City staff consulted with NBS, the City's special-tax administrator, and Goodwin Consulting Group, the consultant that developed the RMA, to determine if there is a reasonable way to determine the apportionment of special taxes on the 16 zone-straddling parcels. We concluded that a reasonable approach is to interpret the RMA as follows: determine which tax zone contains the majority of the parcel (in terms of square feet) and apply to the *entire* parcel the special tax for that tax zone.

For each of 16 zone-straddling parcels, the majority of the area (well over 50%) falls within Tax Zone 2, so the *entirety* of each parcel would be taxed at the rate for that tax zone.

Because the new subdivision map will increase by 16 the number of parcels that will be subject to the CFD's special tax, the *total* special-tax revenues expected to be collected in the CFD will similarly increase. But the special tax on each of the 32 new parcels will be reduced by 25% because of the Developer's partial prepayment. As a result, and because of the smaller size of the 32 new parcels, the special tax for those parcels will be nearly in line with the tax on parcels in Tax Zone 3.

It is worth noting that City staff reached out to bond counsel, Orrick, Herrington & Sutcliffe LLP, to determine whether the approach developed by City staff, NBS, and Goodwin conflicts with the Mello-Roos law, which governs the CFD. Orrick advised that the recommended approach is a reasonable interpretation of the RMA.

Policy Considerations: Although the recommended action does not formally establish policy, it does constitute a precedent that, although nonbinding, may nevertheless be invoked should the City have to apply similarly vague RMAs to zone-straddling parcels in other Mello-Roos districts. However, each prepayment calculation request is evaluated independently to ensure that bond holders and the City are not harmed.

Economic Impacts: Not applicable.

Environmental Considerations: Approval of the recommendation is not a "project subject to CEQA because it (a) has no potential to cause a significant effect on the environment; (b) approves a continuing administrative activity and is thus excluded from the definition of a "project"; and (c) concerns governmental fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs. §§ 15061(b)(3),15378(b)(2), and 15378(b)(4))

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: It is reasonable and equitable to interpret the RMA so that a tax-zone-straddling parcel is taxed at the rate for the tax zone that covers more than 50% of the parcel.

Financial Considerations: There is no effect on the City's General Fund. Any costs related to the new subdivision map or to the changes in total special taxes will be paid for either by the Developer or by the tax payers within the CFD.

Local Business Enterprise (LBE): Not applicable.